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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS

December 1990

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IS IT WAR?

Except in the minds of some politicians, the question of whether a recession has begun no longer is interesting. The loss of 900,000 jobs during the past 5 months certainly qualifies as a recession in almost anyone's book. Whether the Federal Reserve will be more concerned about inflation or recession also has been answered. Three downward movements in the federal funds target in six weeks, a reduction in reserve requirements for certificates of deposit and a lowering of the discount rate clearly means recession fighting is being done. The issues now are how long will the Federal Reserve wait for these actions to become effective before sending further incentives at the economy. Also, when will the banks realize that lowering borrowing costs reduce the bad loans in their portfolios and adds to investment fees that ultimately will more than offset the slight gains from a widening spread in the cost of funds.

Certainly, some analysts are wondering whether current price weakness reflects normal adjustments during a decline or whether a secular downward spiral in commodity prices, a deflationary period, has begun. More ordinary than extraordinary price weakness is apparent, but the deflation debate at least has a nice ring to it for bond holders. Soon, the financial markets will begin to focus on how long and how severe this downturn will be. The January 15 deadline and the prospects for war in the Middle East must first be resolved.

The United States currently is following a policy of brinkmanship. By setting a deadline, some action either will be motivated or we must stand prepared to respond to inaction from the other side. Unfortunately, this process only works if the other side believes that war will result without action on their part. By mentioning that our troops may not be ready, some confusion about the importance of the deadline has crept in. Therefore, a conflict could arise because the other side is not sure that we are prepared to engage in hostilities. On the other hand, withdrawing after drawing our line in the sand would virtually rule out U.S. influence in the Middle East, a position we simply cannot accept.

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Realistically, unless Hussein is crazy or unless an accidental war begins, the strongest position for the Iraqis is to withdraw with their military intact and with little support from the world for intervention into Iraq. Nevertheless, brinkmanship will create a temporary surge in oil prices and a short-term surge in interest rates. These conditions will further reduce consumer and investor activity and prolong economic weakness in the United States. Thus, our analysis suggests some war related disruptions in January and February, even if only in the minds of decision makers.

Unless warfare is protracted, an unlikely condition, the weakness in the United States will cause interest rates to fall significantly during the spring. By that time, oil prices also will be sagging. Unless production disruptions are extensive, oil prices are expected to fall to less than $20 per barrel in the summer before slowly rising in the fall. As inflation moderates, consumer purchasing power should rebuild, leading to some economic recovery.

However, the forces leading to a short recession also will be preventing a significant rebound. A typical recession has two stages of weakness. The first stage is caused by the forces creating recession and usually sink the interest sensitive parts of the economy along with consumer durable purchases. Then further consumer retrenchment develops in the nondurables and, with a lag, the services. This reactive part of the recession usually is a pause rather than a sharp continuation of the decline.

Unfortunately, consumer spending reductions lead to inventory excesses at retailing, which quickly spreads to manufacturing as orders are reduced. Manufacturers then provide price concessions and engage in production shutdowns to clear the warehouses. This latter production constraint to remove excess inventories sometimes is even stronger than the initial weakness, and normally drops production well below final sales. Once the warehouses are cleared, production must spring back to sales, causing a spurt in activity.

In this recession, however, production cutbacks and price concessions are occurring almost as quickly as sales are falling. Furthermore, wartime jitters have accentuated consumer caution, leading to a quicker consumer response to weak demand than normal. Therefore, a substantial portion of the recession has been collapsed into a few short months. The result will be a steeper decline early in the downturn but a shorter duration for the recession. It also means that no snapback from recession is likely when the decline ends. Thus, anemic growth will resume following the current weakness.

Monthly Statistical Highlights

	DECEMBER 1990	JANUARY 1991	FEBRUARY 1991
Payroll Employment	81,000	-24,000	35,000
Index of Hours Worked	-0.2	-0.1%	-0.1%
Household Employment	-119,000	-59,000	-108,000
Civilian Unemployment Rate	6.0%	6.1%	6.2%
Personal Income	0.2%	0.2%	0.4%
Savings Rate	3.8%	3.8%	3.8%
Personal Consumption	0.3%	0.2%	0.3%
Retail Sales	-0.0%	-0.4%	0.1%
Auto Sales	8.9*	8.5*	8.4*
Housing Starts	-8.7%	0.0%	1.1%
Housing Permits	-1.0%	0.6%	2.0%
Construction Expenditures	-0.9%	-0.1%	0.3%
Business Inventories	0.2%	0.2%	0.2%
Orders for Durable Goods	5.4%	-0.4%	2.2%
Orders - Nondefense Capital Goods	5.3%	-3.7%	7.0%
Industrial Production	-0.3%	-0.3%	-0.3%
CPI	0.2%	0.5%	0.3%
PPI	0.0%	0.6%	0.2%
Consumption Deflator	0.1%	0.5%	0.3%
Leading Indicators	-0.2%	0.1%	-0.2%
Currency Index	2.2%	0.2%	-2.2%
Equity Index	4.1%	-6.7%	-1.7%
Real GNP (annual rate)	-5.1%	-4.0%	-5.1%
M1 (annual rate)	-0.0%	4.2%	4.6%
M2 (annual rate)	1.2%	3.3%	4.8%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Any lingering doubts about whether a recession had started were removed with the November EMPLOYMENT SITUATION. Not only did payrolls fall 267,000 in November, but the October decline was revised to a 178,000. Only minimal amounts of Census worker reductions were included during the two months. Hours in the private economy improved slightly, but hours worked in manufacturing continued to slip, along with the workweek. Autos were assembled at 5.3 million, but sales actually dipped below that level late in November. The household survey showed an even larger decline, suggesting that further weakness may surface in the payroll estimates in the months ahead.

One relatively mitigating factor was a 110,000 drop in the trade sector. Because Christmas was expected to be weak, the normal seasonal hiring did not fully materialize. When those people are discharged in January, a seasonal uptick in employment is likely. (We expect this to be reflected both in the January and February payroll measures.)

Although hourly earnings appear to have moderated significantly, some of the improvement is the result of more high wage earners losing their jobs. Some wage moderation is expected even after the composition shifts are considered, but wage rates are not easing as much as the hourly earnings index suggests.

Initial claims have settled to a 450,000 weekly pace, but this remains consistent with a decline of nearly 25,000 on a weekly basis in payroll employment. Thus, our employment estimates for the next few months could be too optimistic.

PERSONAL INCOME AND OUTLAYS-A surge in farm subsidies prevented a second consecutive decline in personal income for November. However, wage earnings again fell. Moreover, the subsidies should not diminish in the months ahead. Therefore, little growth is expected in personal income for the next several months. The projected quarterly decline in wage earnings is consistent with minimal growth in nominal GNP for the quarter. Now that interest rates also are falling, interest income should grow more slowly in the months ahead.

Tax rates are expected to rise in 1991, leading to some slowing in the growth of disposable income. Whether enough has been incorporated in our projections remains to be seen.

Although the slump in savings appears to be inconsistent with a consumer led downturn, the paradox of thrift is at work here. People desire to improve their savings because of uncertain times. However, their reduced consumption leads to reductions in employment, which lowers wage earnings. As a result, a desire to increase savings can result in an actual decrease in savings if investment responds to levels of economic activity. As inflation eases, consumers will be able to improve their savings without such drastic cuts in their purchasing power. Therefore, the level of savings should drift upward in 1991.

Although the largest portion of the consumer slump is in the traditional durables area, the 5.1% annualized increase in nondurables purchases is only half the 10.3% increase in prices. Moreover, even services have increased less than 1% after adjustment for inflation. In this case, however, a mild fall contributed to lower utility purchases than expected. With a normal winter developing, a surge in service spending should occur.

The slump in autos is so severe because rental fleets have been providing most of the strength in the fall. This occurred because of a change in strategy to recycle cars to the used car market faster. However, used car prices are now falling because of this increased supply, while purchases probably will slow as the driving season moderates. Therefore, the consumer slump will be more apparent during the winter. By the spring, some growth in auto sales is likely, as current sales trail replacement needs for the auto fleet held by households.

Flat sales for nondurable goods is deceptive during the spring, as nondurable prices are expected to fall more than 2% at that time. Indeed, this price weakness eventually will restore the purchasing power that was lost when oil prices surged.

CONSTRUCTION-Even with an unsustainable surge in apartment activity during November, housing starts plummeted another 21% during the fall. The apartment gains all were in the South and appear to reflect an easing of credit restraints. However, many of those starts were delayed awaiting resolution of regulatory review of lending practices. Now that the review has passed to other regions, especially the Northeast, activity should slump there. Outside the South, no evidence of a rebound in housing is apparent. Permits continue to fall, leading to projections of further weakness ahead.

When interest rates begin falling, more households will be able to afford housing. As completions subside for apartments, rents will rise, leading to stronger single family demand. However, the process will be slow because of the lending constraints currently confronting builders. The normal construction rebound from a recession will be so anemic to be inconsequential. Instead, improving consumer purchasing power and the need to replace aging consumer durables will be the engine out of this downturn.

The surge in public construction is surprising and may be weather related. Certainly, most state and local governments are facing budget constraints at this time.

BUSINESS ACTIVITY-Orders for nondefense capital goods plunged in November, as no aircraft orders followed the United order of the previous month. Given the health of the airline industry, few orders are expected in the months ahead. Also, auto shipments were down sharply. Some rebound is expected here, but nothing substantial. The collapse in orders was so drastic that backlogs are now shrinking. A spiral of layoffs followed by reduced sales and further order cutbacks is possible. Certainly, capital goods will not expand even the 0.6% that the latest capital goods anticipations survey suggests. More likely, spending after inflation will fall 3 or 4% for the year. In addition to transportation, orders were weak for primary metals and electrical machinery. Hopefully, most of the orders takers were on vacation following completion of goals and this report does not constitute a new reality. At any rate, capital shipments will follow their traditional lagged response to economic weakness.

Business inventories remain modest despite sharp price increases during the fall for petroleum based products. Excluding those price changes, inventories actually declined. Further inventory reductions are likely during the winter before a modest rebuilding of inventories begins in the spring. However, retailers are saddled with too many inventories and may continue cutting until the summer months.

Industrial production already has fallen to levels that are justified in terms of prevailing final sales. Some further weakness is likely as the capital goods industries join the slump. Indeed, the plunge in capacity utilization puts even our modest decline in capital shipments at risk. It should be noted that data revisions have caused a drop in industrial activity in September. This sharply increases the case for August as the cyclical peak, although July certainly could be the first month of decline if Census activity is not excepted.

PRICES-The possibilities of war should keep oil prices rising until more settled conditions develop in the Middle East. Therefore, the November price moderation will give way to more substantial price gains by January. However, this should be temporary. Oil prices should plunge in the spring and continue falling into the summer months. Coupled with weak wage gains, inflation should slow dramatically by spring. Even service inflation appears to be moderating.

Nevertheless, the GNP deflator should rise more substantially during the fourth quarter than in the summer. Prices should begin moderating in the spring. Underlying inflation is slowly subsiding, and may be slightly less than 4% at this time. When the one percentage point reduction in energy induced inflation is also considered, inflation rates of less than 3% are possible for 1991. By 1992, however, the underlying inflation rate will again prevail.

MISCELLANEOUS-Although some of the gain in imports reflects higher oil prices, which surged to $29.06 in October from $24.60 in September, inflation adjusted imports grew more than $3 billion in the month. As barrels of oil fell, this was a gain in inventories and final sales of imported goods. Apparently, excess inventories are developing for imported autos and capital goods, which suggests that imports will fall sharply later in the year. In the meantime, another surge in oil prices during January and February, following some relief in

November and December will maintain high trade deficits. As both imports and exports grew by substantial amounts, an accounting error may have occurred.

The dollar has rebounded despite these poor trade balances because of uncertainties surrounding currency realignments in Europe and real estate values in Japan. Also, chaos in the Soviet Union leaves the United States as the only functioning superpower. Although falling interest rates will restore downward pressure to the dollar, falling oil prices and prospects for recovery should reverse the dollar's renewed slide before mid-year. The dollar may fall to 1.35 marks, but could rally to more than 145 yen before the end of the year.

The leading indicators should end their plunge early in the new year. Thus, they should lead the recovery even if they were poor at leading the decline.

FINANCIAL MARKETS

Almost everyone reduced activity during the fall. Housing markets were off sharply, but so was savings. Therefore, the household sector hardly changed their net contributions to credit markets. Corporate cash flow was squeezed but inventory and capital spending also fell. Therefore, corporations slightly reduced their need for capital. Government deficits continued rising, but state and local governments sharply reduced their operating deficits. Therefore, total government borrowing hardly changed. Foreigners disliked yields but liked security in the dollar. As a result, their impact kept changing during the quarter. When underlying inflation began subsiding in this environment, interest rates came down.

Early in 1991, households will continue to shun housing and consumer durables while gradually building assets. Later in the year, assets will be built despite some increased purchases. Thus, the household sector should be contributing to reduced interest rates throughout the year.

Government borrowing may continue to deteriorate into the spring, especially if hostilities develop. However, the worst of the government borrowing already is upon us without serious problems in the credit markets. The quarterly funding early in February may be difficult, especially if the Middle East remains uncertain. However, the government auctions should improve following that period.

Corporate borrowing will remain modest into the spring. Any inventory build-up will remain modest. At the same time, capital spending will fall through most of the year. As corporate earnings, and therefore, corporate cash flow should improve by summer, corporations actually will reduce their need for funds through the year.

International investors may continue to run hot and cold on the dollar. However, an economic recovery and a substantial reduction in our trade balances after mid-year should encourage some capital flows. Therefore, interest rates should fall through much of the year. The Federal Reserve probably will again shift to inflation fighting after the recovery becomes clearer in the summer, but not a lot of inflation will be around. Thus, only modest gains in short-term interest rates are likely even in the latter part of the year.

Long-term rates should fall as inflation falls and then stabilize after inflation begins turning back up toward underlying rates. Thus, the yield curve will continue to steepen as the year progresses.

EQUITY MARKETS-Some weakness in equity values are likely in January as oil prices and interest rates rise to reflect a war premium. However, the markets will again rebound once that war fear is diminished. The summer months should provide the best opportunities for equity investors, as the dollar, interest rates, and earnings all will be favorable. Moreover, as recession recedes and recovery appears, some of the lower capitalized stocks should do well. This included regional financial institutions and utilities. The nimble investor could stay in cash until a Mideast sell-off exposes value. Then a tilt toward long-term bonds during the spring, followed by equity investments during the summer could do well. However, those averaging into their positions also will be well placed for a return to a modest bull market by the summer.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
July 1990	110740		124.8		117953		5.5	10.07	
August	110613	0.5	124.6	0.6	117658	-1.5	5.6	10.09	4.3
September	110612		125.3		117898		5.7	10.13	
October	110434		123.1		117711		5.7	10.12	
November	110167	-1.5	123.4	-5.3	117261	-1.6	5.9	10.13	1.5
December	110086 *		123.1 *		117142 *		6.0 *	10.15 *	
January 1991	110062		122.9		117083		6.1	10.17	
February	110097	-0.6	122.7	-1.6	116975	-1.3	6.2	10.21	2.9
March	110013		122.5		116927		6.3	10.24	
April	109927		122.4		116784		6.5	10.27	
May	109925	-0.4	122.4	-1.0	116724	-0.9	6.6	10.30	3.7
June	109973		122.4		116720		6.7	10.33	
July	109992		122.5		116746		6.8	10.36	
August	110043	0.3	122.6	0.7	116772	0.1	6.8	10.40	3.8
September	110076		122.7		116793		6.9	10.43	
October	110134		122.7		116848		6.9	10.46	
November	110243	0.7	122.8	0.7	116927	0.5	6.9	10.49	3.6
December	110317		122.9		116998		6.9	10.52	
Chng Dec(91)/Dec(90)		0.2		-0.2		-0.1			3.6
Chng Dec(90)/Dec(89)		0.6		-0.2		-0.5			3.3

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	4.663		2.727		184.2		3.958		3.774	
August	4.675	5.0	2.728	5.7	165.0	-46.9	3.966	4.5	3.801	8.4
September	4.698		2.747		150.2		3.983		3.833	
October	4.697		2.732		149.3		3.982		3.833	
November	4.711	2.6	2.728	-0.6	157.8	-28.4	3.994	2.3	3.836	3.9
December	4.720 *		2.729 *		152.2 *		4.000 *		3.848 *	
January 1991	4.728		2.733		151.8		4.006		3.854	
February	4.745	3.0	2.741	1.6	154.0	1.0	4.021	2.8	3.867	2.9
March	4.759		2.747		154.7		4.032		3.877	
April	4.776		2.756		154.5		4.045		3.890	
May	4.795	4.4	2.766	3.8	155.3	5.4	4.061	4.1	3.906	4.1
June	4.814		2.776		156.8		4.076		3.919	
July	4.836		2.788		158.5		4.094		3.935	
August	4.860	5.4	2.804	5.4	160.9	11.6	4.114	5.3	3.953	5.0
September	4.881		2.816		160.2		4.131		3.971	
October	4.902		2.827		160.5		4.148		3.987	
November	4.924	5.2	2.839	5.3	160.7	1.3	4.166	5.3	4.005	5.4
December	4.936		2.852		159.9		4.184		4.024	
Chng Dec(91)/Dec(90)		4.6		4.5		5.1		4.6		4.6
Chng Dec(90)/Dec(89)		5.0		4.0		-10.7		4.6		5.3

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	3664.7		482.9		1192.0		1989.8		2695.0	
August	3692.1	8.0	475.9	3.3	1208.1	9.1	2008.2	8.6	2696.5	2.7
September	3723.4		488.2		1214.8		2020.5		2698.8	
October	3723.6		475.3		1217.0		2031.2		2678.3	
November	3726.5	4.0	466.3	-9.8	1223.5	5.1	2036.6	6.7	2672.1	-3.1
December	3738.3 *		468.7 *		1219.9 *		2049.7 *		2676.5 *	
January 1991	3744.8		462.6		1221.8		2060.3		2667.8	
February	3757.6	3.0	460.6	-7.4	1225.8	1.3	2071.2	6.5	2668.4	-0.8
March	3767.8		460.3		1224.1		2083.4		2673.5	
April	3781.0		463.7		1222.7		2094.5		2679.0	
May	3796.1	4.2	465.9	3.8	1223.7	0.0	2106.5	6.8	2684.9	2.0
June	3809.7		467.0		1225.6		2117.1		2686.0	
July	3825.9		469.3		1227.8		2128.8		2689.1	
August	3843.4	5.1	472.3	6.0	1231.2	2.2	2139.9	6.7	2694.8	1.6
September	3861.1		475.6		1233.0		2152.4		2698.7	
October	3877.7		475.5		1237.9		2164.3		2701.7	
November	3895.4	5.5	478.1	4.9	1240.9	3.5	2176.4	6.9	2705.9	1.8
December	3914.0		480.7		1244.8		2188.5		2710.3	
Chng Dec(91)/Dec(90)		4.7		2.6		2.0		6.8		1.3
Chng Dec(90)/Dec(89)		5.4		-0.3		5.4		6.9		-0.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	150.20		22.77		9.7		96.00		31.43	
August	150.24	6.4	22.67	-0.3	9.4	7.2	97.18	10.2	30.40	1.2
September	151.56		22.56		10.1		97.79		31.21	
October	151.84		22.44		9.3		97.76		31.64	
November	151.62	2.7	22.12	-7.3	8.7	-28.0	98.27	4.2	31.23	5.7
December	151.61 *		22.16 *		8.9 *		97.98 *		31.47 *	
January 1991	151.07		22.04		8.5		98.14		30.89	
February	151.16	-1.6	21.98	-4.6	8.4	-21.8	98.46	1.2	30.72	-8.1
March	150.99		21.92		8.4		98.32		30.75	
April	151.27		22.08		8.5		98.21		30.98	
May	151.60	1.3	22.17	3.2	8.6	6.5	98.29	0.0	31.14	4.3
June	151.87		22.21		8.6		98.44		31.22	
July	152.31		22.26		8.7		98.62		31.43	
August	152.93	3.5	22.31	2.7	8.9	18.3	98.89	2.2	31.73	8.4
September	153.46		22.34		9.2		99.04		32.08	
October	153.83		22.43		8.8		99.43		31.97	
November	154.37	4.0	22.47	3.2	8.9	-1.5	99.67	3.5	32.23	6.1
December	154.98		22.54		9.0		99.98		32.46	
Chng Dec(91)/Dec(90)		2.2		1.7		1.1		2.0		3.1
Chng Dec(90)/Dec(89)		4.0		-0.4		0.0		5.2		3.4

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	1.153		0.875		0.278		1.082	
August	1.131	-22.3	0.836	-15.9	0.295	-38.8	1.050	-17.8
September	1.106		0.859		0.247		0.992	
October	1.033		0.856		0.177		0.920	
November	1.129	-21.3	0.772	-22.3	0.357	-18.1	0.907	-42.1
December	1.031 *		0.785 *		0.246 *		0.898 *	
January 1991	1.032		0.793		0.239		0.903	
February	1.043	-6.0	0.805	1.8	0.238	-27.4	0.921	4.0
March	1.069		0.826		0.243		0.928	
April	1.065		0.809		0.256		0.946	
May	1.076	12.4	0.824	7.8	0.252	28.8	0.958	19.4
June	1.096		0.837		0.259		0.973	
July	1.105		0.838		0.267		0.984	
August	1.108	13.5	0.843	11.3	0.265	20.7	0.992	12.0
September	1.128		0.856		0.272		0.984	
October	1.141		0.863		0.278		0.995	
November	1.160	16.5	0.875	13.6	0.285	26.1	1.003	7.2
December	1.170		0.881		0.289		1.014	
Chng Dec(91)/Dec(90)		13.5		12.2		17.5		12.9
Chng Dec(90)/Dec(89)		-19.1		-15.7		-28.1		-36.6

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	144.7		108.1		188.5		441.3		399.3	
August	139.6	6.0	115.8	7.5	185.8	-10.1	441.2	-7.5	398.4	-8.9
September	138.4		109.4		181.2		428.9		388.8	
October	137.1		117.8		179.5		434.4		394.0	
November	136.7 *	-11.5	112.8 *	10.6	179.0 *	-13.4	428.5 *	-7.0	387.8 *	-6.9
December	136.2		111.2		177.4		424.8		383.7	
January 1991	135.8		111.5		177.0		424.3		383.6	
February	135.5	-3.4	112.6	-5.6	177.6	-3.3	425.7	-3.9	384.6	-4.7
March	135.2		112.8		176.8		424.8		383.4	
April	135.0		113.2		175.6		423.8		381.8	
May	135.2	-1.0	113.5	3.7	175.9	-2.7	424.6	-0.5	382.2	-2.0
June	135.3		113.3		176.3		424.9		381.8	
July	135.1		113.8		176.8		425.7		381.8	
August	135.4	0.8	114.2	3.1	177.5	3.4	427.1	2.5	382.7	0.6
September	135.8		114.6		177.9		428.3		383.1	
October	136.2		114.9		178.4		429.5		383.5	
November	136.3	2.8	115.2	3.4	179.2	3.9	430.7	3.4	383.9	1.3
December	136.6		115.4		179.7		431.7		384.1	
Chng Dec(91)/Dec(90)		0.3		3.8		1.3		1.6		0.1
Chng Dec(90)/Dec(89)		0.7		4.1		-6.5		-1.5		-3.2

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	373.3		128.09		39.84		35.10	
August	374.3	3.2	126.98	3.2	35.87	20.9	36.72	4.6
September	377.0		124.97		38.29		36.60	
October	377.3		129.48		41.62		36.55	
November	377.0 *	2.3	115.94	-12.4	34.79	-3.3	36.07	1.3
December	376.6		122.23 *		36.63 *		36.16 *	
January 1991	376.9		121.76		35.27		35.89	
February	378.1	0.7	124.45	4.6	37.72	-7.7	36.11	-1.2
March	378.0		125.56		37.81		36.44	
April	378.5		125.53		36.69		36.11	
May	379.0	1.5	126.14	5.9	37.14	-2.6	36.28	-0.1
June	379.6		125.43		36.25		36.02	
July	380.4		124.47		35.56		36.11	
August	381.1	2.4	125.11	-2.5	35.59	-9.5	35.54	-3.4
September	382.3		125.12		36.21		35.82	
October	383.6		125.21		36.02		35.84	
November	384.9	3.8	125.78	2.7	36.18	4.8	35.95	1.3
December	386.1		126.18		36.43		36.02	
Chng Dec(91)/Dec(90)		2.5		3.1		-0.5		-0.4
Chng Dec(90)/Dec(89)		2.3		-7.2		-17.5		3.4

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	802.2		8.95		110.4		83.8	
August	807.5	4.8	9.11	-3.2	110.5	3.7	83.6	1.1
September	810.8		8.91		110.4		83.3	
October	813.9		8.78		109.4		82.4	
November	815.6 *	4.4	9.19	-5.1	107.5	-8.4	80.9	-10.7
December	817.3		8.65 *		107.2 *		80.4 *	
January 1991	819.0		8.73		106.9		80.0	
February	820.2	2.3	8.67	-6.9	106.6	-4.8	79.6	-7.5
March	821.5		8.75		106.6		79.4	
April	823.0		8.79		106.3		79.0	
May	824.6	2.1	8.76	5.0	106.0	-2.1	78.6	-4.8
June	825.9		8.92		106.1		78.5	
July	827.8		8.91		106.4		78.6	
August	830.4	2.8	8.95	4.1	106.8	1.9	78.7	-0.7
September	832.5		8.88		106.7		78.4	
October	835.3		8.93		107.0		78.5	
November	837.4	3.7	8.91	0.1	107.4	2.3	78.7	-0.2
December	840.9		8.91		107.3		78.4	
Chng Dec(91)/Dec(90)		2.9		3.0		0.1		-2.5
Chng Dec(90)/Dec(89)		2.9		-11.7		-1.3		-3.6

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	130.5		117.5		113.4		131.6	
August	131.5	6.4	119.0	5.9	115.9	9.3	132.2	3.7
September	132.5		120.9		118.3		133.0	
October	133.3		122.2		121.3		133.6	
November	133.7	6.7	122.8	12.2	120.6	17.6	133.9	4.7
December	133.9 *		122.8 *		120.1 *		133.9	
January 1991	134.6		123.5		122.1		134.5	
February	135.0	3.8	123.8	3.1	123.4	5.6	135.1	3.4
March	135.1		123.4		121.5		135.2	
April	135.3		123.2		120.3		135.4	
May	135.6	2.1	123.2	-0.9	119.7	-7.5	135.7	2.6
June	136.0		123.4		119.9		136.3	
July	136.4		123.7		120.2		136.7	
August	136.7	3.4	123.8	1.9	120.5	0.4	137.0	3.7
September	137.2		124.1		119.6		137.4	
October	137.6		124.4		121.6		137.8	
November	138.0	3.7	124.7	2.6	122.0	6.4	138.2	3.6
December	138.4		124.9		122.3		138.6	
Chng Dec(91)/Dec(90)		3.4		1.7		1.8		3.5
Chng Dec(90)/Dec(89)		6.2		6.7		6.6		4.5

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	136.0		112.2		130.0		147.7		110.5	
August	136.9	5.2	112.2	0.7	131.2	6.6	148.6	5.5	110.7	1.0
September	138.0		112.5		133.3		149.3		110.3	
October	139.0		112.8		134.6		150.2		110.3	
November	139.5	7.3	112.6	1.4	134.9	10.3	150.8	6.1	110.5 *	0.0
December	139.7 *		112.7 *		134.8 *		151.2 *		110.7	
January 1991	140.4		112.9		135.5		151.9		110.6	
February	140.8	3.8	113.0	1.2	135.8	2.1	152.5	4.8	110.7	0.7
March	140.9		113.2		135.1		153.1		110.8	
April	141.1		113.5		134.7		153.7		111.0	
May	141.4	2.1	113.5	1.9	134.6	-2.1	154.3	4.8	111.1	1.6
June	141.8		113.7		134.9		154.9		111.3	
July	142.3		113.9		135.2		155.5		111.5	
August	142.6	3.4	114.1	2.0	135.3	1.9	156.1	4.7	111.6	1.8
September	143.1		114.4		135.6		156.7		111.8	
October	143.5		114.6		135.9		157.3		112.0	
November	144.0	3.7	114.8	2.5	136.2	2.5	157.9	4.7	112.2	2.0
December	144.4		115.1		136.5		158.5		112.4	
Chng Dec(91)/Dec(90)		3.4		2.1		1.3		4.8		1.5
Chng Dec(91)/Dec(90)		5.7		1.0		8.1		5.1		1.7

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
July 1990	-9.12		146.1		5489		4171		-2.8
August	-9.73	-81.4	144.4	0.3	5518	5.3	4172	1.4	-25.3
September	-9.33		143.3		5538		4165		-34.0
October	-11.61		141.6		5520		4131		-41.6
November	-9.56 *	-48.5	140.1 *	-10.9	5538	0.7	4137	-3.8	-35.7
December	-9.94		139.8		5516		4119		-30.6
January 1991	-10.53		139.9		5521		4105		-31.5
February	-11.86	-2.9	139.7	-1.5	5521	0.5	4087	-2.8	-34.7
March	-8.94		140.3		5554		4108		-17.4
April	-8.72		140.6		5552		4100		-15.6
May	-8.24	59.5	140.9	2.9	5566	2.4	4103	-0.2	-10.2
June	-8.04		141.4		5575		4091		-2.1
July	-7.94		141.2		5610		4104		2.8
August	-7.53	32.3	141.5	1.5	5637	4.9	4115	1.1	-3.4
September	-7.21		141.8		5646		4109		-10.6
October	-6.74		141.5		5677		4119		-11.4
November	-6.56	42.0	141.9	1.0	5690	4.8	4117	1.2	-10.5
December	-6.49		142.2		5724		4128		-9.4
Chng Dec(91)/Dec(90)		34.7		1.7		3.8		0.2	
Chng Dec(90)/Dec(89)		-31.6		-4.9		5.0		0.3	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	89.68		164.0		8.50		196.61	
August	86.55	-2.0	159.6	-24.7	8.86	5.3	181.45	-14.5
September	86.10		158.3		9.03		173.52	
October	83.43		157.3		8.86		168.05	
November	82.15	-18.1	159.5	-3.5	8.54	-11.0	172.21	-21.3
December	83.96 *		160.8		8.23 *		179.23 *	
January 1991	84.14		156.0		8.51		167.30	
February	82.26	-2.7	155.0	-3.6	8.56	-6.1	164.49	-6.1
March	81.43		162.2		8.16		179.61	
April	81.62		158.9		7.92		180.43	
May	81.88	-2.2	156.6	-0.1	7.74	-28.6	181.02	31.6
June	82.93		157.6		7.53		186.26	
July	84.14		161.5		7.41		193.06	
August	84.29	11.1	160.9	8.4	7.52	-10.9	188.59	19.1
September	84.56		160.3		7.60		190.53	
October	84.21		163.7		7.63		192.82	
November	84.58	1.0	166.1	11.4	7.74	11.5	191.91	1.9
December	84.82		166.2		7.78		190.15	
Chng Dec(91)/Dec(90)		1.0		3.4		-5.5		6.1
Chng Dec(90)/Dec(89)		-11.5		-9.6		4.2		-5.5

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	309.2		809.0		3287.8		8.15		7.52	
August	312.6	8.9	815.8	4.2	3305.3	3.1	8.13	-4.0	7.38	-16.3
September	316.8		822.1		3319.8		8.20		7.32	
October	317.9		820.0		3321.0		8.11		7.16	
November	319.3	8.0	822.6	3.0	3318.4	2.0	7.81	-18.2	7.03	-21.7
December	319.6 *		822.5 *		3321.7 *		7.36 *		6.71 *	
January 1991	320.9		825.3		3330.6		6.93		6.82	
February	322.4	4.6	828.4	3.3	3343.7	2.8	6.75	-44.3	6.73	-15.6
March	324.3		831.2		3356.1		6.43		6.48	
April	325.8		834.4		3370.2		6.18		6.22	
May	327.2	6.1	838.2	4.7	3383.7	4.9	5.96	-33.9	5.98	-32.6
June	329.1		841.2		3396.8		5.99		5.95	
July	330.2		844.7		3414.2		6.04		5.99	
August	332.0	5.7	847.6	4.7	3431.6	5.8	6.11	2.2	6.03	-0.4
September	333.6		850.3		3450.2		6.08		6.11	
October	335.4		854.2		3463.4		6.13		6.15	
November	337.3	6.2	858.4	5.1	3478.2	5.7	6.15	6.5	6.22	12.0
December	338.1		862.1		3497.6		6.24		6.28	
Chng Dec(91)/Dec(90)		5.8		4.8		5.3		-15.2		-6.4
Chng Dec(90)/Dec(89)		8.1		3.5		3.1		-12.9		-9.6

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	9.24		7.19		7.99		8.10		10.00	
August	9.41	0.3	7.32	-1.6	7.88	1.1	7.97	-13.2	10.00	0.0
September	9.56		7.43		7.96		8.06		10.00	
October	9.53		7.49		7.98		8.06		10.00	
November	9.30	-4.3	7.18	-3.4	7.91	-3.5	8.03	-4.2	10.00	-0.3
December	9.07 *		7.08 *		7.73 *		7.78 *		9.98 *	
January 1991	9.36		7.25		7.54		7.63		9.50	
February	9.43	0.9	7.33	-1.3	7.02	-33.4	7.20	-32.1	9.50	-23.6
March	9.17		7.10		6.78		6.84		9.03	
April	8.89		6.92		6.13		6.28		8.76	
May	8.78	-22.5	6.85	-20.8	5.97	-48.8	6.11	-46.8	8.50	-28.7
June	8.56		6.68		5.95		6.12		8.50	
July	8.41		6.43		6.05		6.19		8.50	
August	8.45	-12.2	6.46	-18.7	6.13	5.7	6.27	6.0	8.50	-4.0
September	8.53		6.53		6.12		6.32		8.50	
October	8.55		6.71		6.15		6.30		8.50	
November	8.67	9.5	6.68	16.4	6.28	10.7	6.33	5.9	8.50	0.0
December	8.75		6.78		6.34		6.42		8.50	
Chng Dec(91)/Dec(90)		-3.5		-4.2		-18.0		-17.5		-14.8
Chng Dec(90)/Dec(89)		2.4		1.4		-6.6		-6.5		-5.0

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